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Developing Leaders Quarterly

MAKING ORGANIZATIONS MORE HUMAN

Innovating Innovation

Catalyzing your leadership practice

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A Data-driven Approach to Workplace Equity

Companies are feeling the heat to achieve workplace equity. Employee demands for fairness, shareholder pay equity proposals, the new EU Equal Pay and Transparency Directive, and expanding pay transparency legislation in the U.S. are all ratcheting up the pressure for proof of progress.

However, while these collective forces contribute to a general acceptance that workplace equity should be prioritized, most companies are not effectively tying efforts to the bottom line. As a recent report from Tapestry Networks and Syndio reveals[1], most organizations

1 https://synd.io/advancing-workplace-equity-from-the-boardroom/

lack the analytics to make a clear connection between investments in workplace equity and concrete business outcomes.

Boards are in a pivotal position to drive organizational commitment to workplace equity. However, the absence of metrics that show how workplace equity can deliver tangible impact for the business hinders boards from effectively overseeing it.

What does to take for companies to not only prioritize workplace equity but also link it to their overarching business objectives? How can they foster an environment where equity isn't just a buzzword but a fundamental driver of success?

Eliminating boards' blind spots

Board governance of workplace equity is driven by the urgent need to comply with changing legislation and get ahead of costly brand reputation issues. However, boards often struggle to ask the right questions about workplace equity and apply pressure to the executive team due to lacking the necessary data insights.

Most organizations' workplace equity programs lack clear targets, meaningful accountability, metrics, reporting structures, or effective integration with business objectives. According to our findings, 85% of HR and Total Rewards leaders and practitioners see room for

The new EU Equal Pay and Transparency Directive, and expanding pay transparency legislation in the U.S. are all ratcheting up the pressure for proof of workplace equity progress.

improvement in how well their organizations measure the success of workplace equity initiatives.

Boards should regularly ask to see key metrics that enable focused effort, and which drive action and accountability. One DE&I leader said, "You should be able to give that macro-level view on one page so the board understands where there's a problem, what's working, and where they can get insight."

Boards seeking a more informed approach are driving management to report with more granular detail around data, metrics, and benchmarking. For example, directors would like to see more information around representation in specific leadership roles and the roles that feed into those roles. They want to understand which talent has high potential, what is their career path and who are the people moving through different career paths. Boards are looking for more than a snapshot — they want to understand trends over time. They are also looking for benchmarking that compares their demographics to peer organizations to help them gauge the level of progress.

Below are questions boards can ask management about workplace equity initiatives:

- Does leadership have shared accountability and a common understanding around workplace equity goals and value in the organization?
- What workplace equity analyses—e.g. representation analyses, diversity benchmarking, promotion and attrition analyses, and pay equity and unadjusted pay gap analyses — is leadership conducting? How often? For which employee identity groups and intersections?
- How does leadership assess employee sentiment—are there disparities in how employees feel?
- How does leadership track progress toward workplace equity goals and ensure accountability and transparency? What benchmarks are they using for comparison?
- How is data disclosed? What is communicated to investors and other stakeholders?
- What is the right balance of transparency for communicating progress internally and publicly?

Key pillars for effective oversight

There are several foundational elements that collectively underpin a board's ability to oversee workplace equity, driving both its prominence and impact:

Structural integration into the board's agenda: How and where workplace equity shows up on the board agenda speaks volumes about an organization's commitment. Workforces are dynamic, so if workplace equity reporting is buried in the appendix of the board deck and only sporadically discussed, boards will never have an accurate pulse on the state of workplace equity in an organization. Rather, workplace equity reporting should be a consistent priority on the agenda on par with financial reporting.

Diverse board composition and leadership: Diversity of thought, experience, and values in a board's composition can influence vigilance around and exposure to workplace equity goals and value. An executive shared, "Through board diversification, DE&I became a part of the dialogue, and the transformation gave the CEO a platform to speak on this as a topic in board meetings. It's been a game changer."

The business case for equity: It's crucial for organizations to draw a clear connection from workplace equity to business outcomes, supported by data insights. Top leaders often speak vaguely of workplace equity as "good for business" but are at varying levels of maturity in how they link efforts to tangible business outcomes such as resilience, growth, innovation, and profitability. A director said, "We can't lose sight of the business aspect of this, because where a lot of companies fall short is that 'this is a nice thing to do' versus a business imperative that actually drives better results." The issue with vague reporting and ambiguous targets is that workplace equity

often ends up perceived as cost rather than as drivers of business performance. Consequently, this results in workplace equity programs struggling for resources and attention.

A culture of accountability: According to HR analyst Josh Bersin, about 80% of companies are just going through the motions of equity and diversity, and are not holding themselves accountable. Using data to set and forecast realistic and specific targets is key to creating accountability. A director encouraged boards to treat DE&I targets like financial targets to hold management accountable. They said, "If [a DE&I goal] were a revenue target, you'd figure it out, right? You'd figure out how to get there because that's what you do — so figure this out."

Candid concerns from board directors

A recent discussion series with over 60 board directors and top Talent, HR, and Diversity executives revealed several notable concerns and areas of focus for advancing workplace equity:

Boards lack a shared language to define, investigate, and advance workplace equity. There is a wide lexicon of similar-but-different terms for workplace equity concepts, such as “pay equity”, “pay gap”, and “opportunity equity” that need to be demystified. By aligning on a unified vocabulary, boards and leaders can achieve greater clarity in moving towards measurement and informed action.

Analytics and data help boards drive more informed decisions and guidance. Boards are seeking frameworks for measuring workplace equity as there are no widely established standards to benchmark workplace equity progress or set diversity and equity goals and strategies. Hard data can empower HR leaders to analyze and report on all these critical aspects to their board. Transparency can drive action. Sharing data may not lead to sudden change but puts leadership on notice and can create space for change through awareness, opportunity, and mitigating unconscious bias. One director said, “When you have a governing framework around the metrics, you have better traction.”

Connecting workplace equity priorities to tangible business objectives is important, but difficult. A director said “DE&I must be a business initiative with business value and business impact.” This is especially important in a volatile economy, as all-too-often workplace equity is not a budget priority for many companies

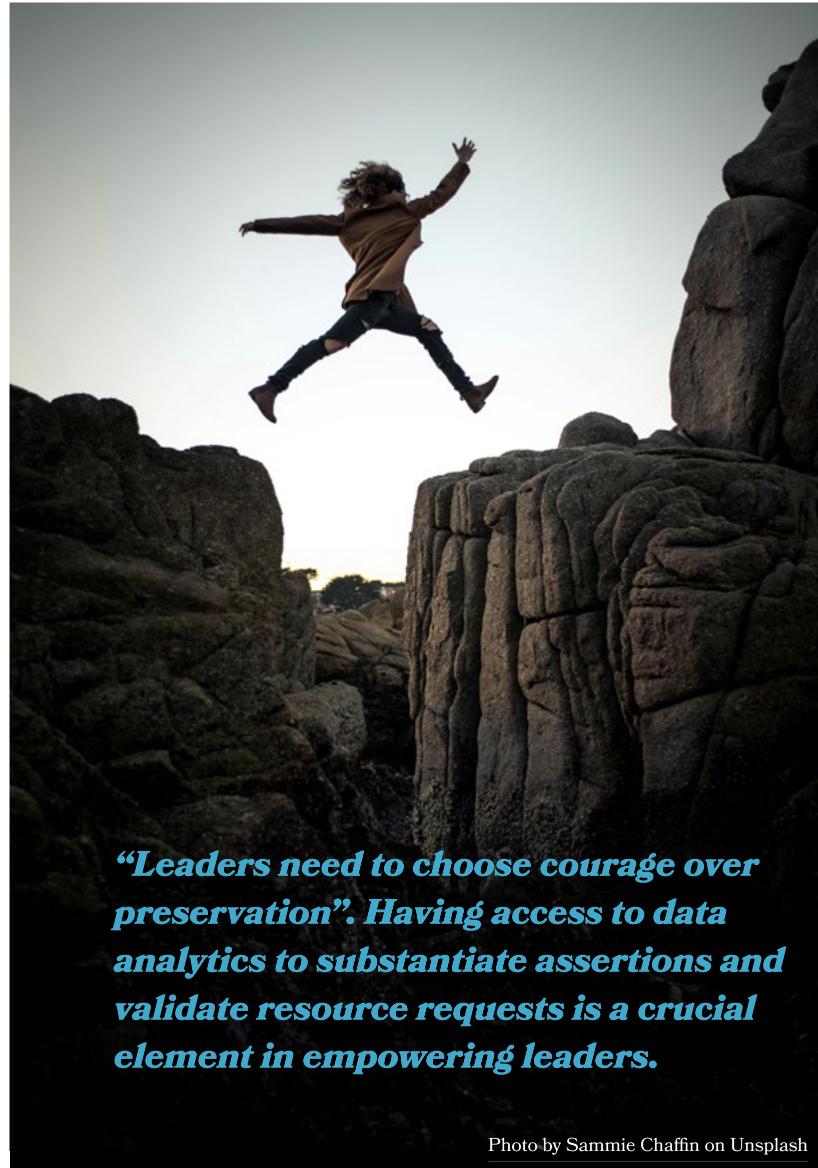


Photo by Sammie Chaffin on Unsplash

There are now five generations in the workplace who have differing approaches to information exchange, communication, expectations around transparency, and collaboration.

that face economic, supply chain, and operations issues. To connect these dots, workplace equity programs must be rigorously measured so that efforts can be tied to business outcomes such as talent resilience, innovation, and risk mitigation.

Ever-expanding transparency requirements are bringing pay and opportunity issues out from behind closed doors. The EU Equal Pay and Transparency Directive is the new global high-water mark for pay transparency as it requires both pay scale transparency and public reporting on mean and median pay gaps. In the U.S., there continues to be a groundswell of state and municipal laws that require salary range transparency. As employees are given greater visibility to their peers' pay ranges, organizations are under increased pressure to explain pay and assure employees of pay equity. On top of that, new requirements in states like Colorado and Illinois, as well as in the EU Equal Pay and Transparency Directive, reflect an emerging trend for opportunity transparency around promotions and career growth. In this context, data analytics are critical to credibly respond to these requirements — and to future-proof organizations for emerging regulations and stakeholder demands.

Leaders must be empowered to make courageous and educated decisions. Board directors and management need to have the courage to say what needs to be said and not worry about not being elected to the board again or having the same role within a board. As one director put it, "Leaders need to choose courage over preservation". Having access to data analytics to substantiate assertions and validate resource requests is a crucial element in empowering leaders.

Boards can lead the way

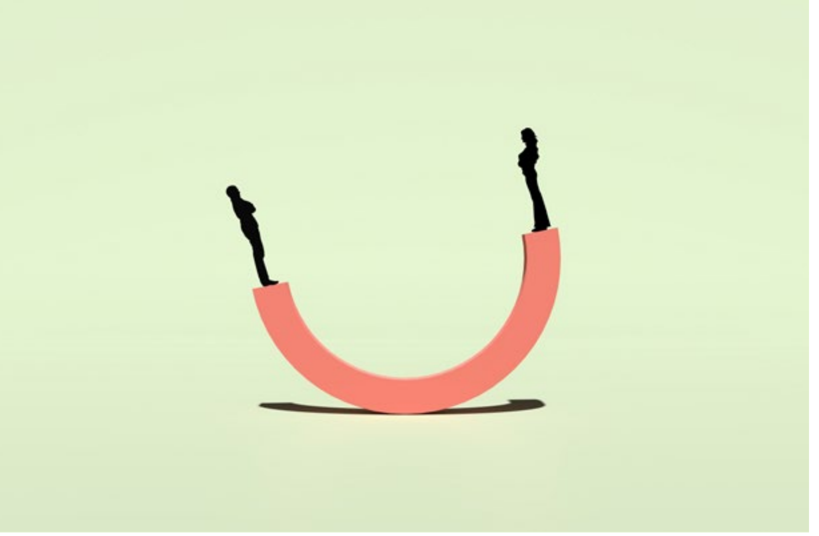
There are now five generations in the workplace who have differing approaches to information exchange, communication, expectations around transparency, and collaboration. This demographic diversity continues to challenge the traditional models of the workforce structure. There are opportunities to learn from unique perspectives, foster mentorship, and create experiences that can only strengthen corporate culture and drive innovation.

To emerge successfully, they need to retain and promote their best people — without bias. Pay equity is foundational, but it's just the start.

After hundreds of conversations with boards and executives, these insights remain key:

Leaders need to listen more. Even during some of the most complex investigations or corporate breaches, employees just want to feel like they are valued, that there is equity, trust, and recognition. Talent equity and retention are linked to business resiliency. Company culture must start with accountable leadership that operationalizes trust and open communication.

Resilience is paramount. Today's businesses grapple with a turbulent economy, an ever-changing regulatory landscape, and widespread pressure from their employees. To emerge successfully, they need to retain and promote their best people — without bias. Pay equity is foundational, but it's just the start. The more employers can embed equity into their entire employee lifecycle, the more trust they'll build with their people, and the more enduring the business will be for the challenges and opportunities ahead.



Data is the key. Boards must push organizations to leverage analytics to benchmark where they stand, then set goals and pinpoint impact areas. With metrics to guide their decisions, boards can step up their oversight and ensure a workplace where every employee — and in turn, the business — thrives.

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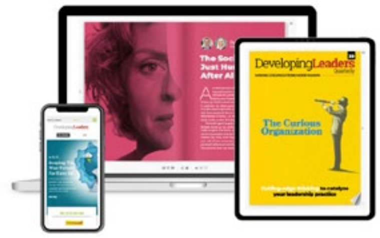

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